

GILLESPIE FIELD DEVELOPMENT COUNCIL  
July 17, 2012

AGENDA ITEM #5

Proposed Amendments to Four Cuyamaca West 2 Industrial Leases  
to Implement Negotiated Rent Adjustments

The County developed industrial lots and associated infrastructure at Cuyamaca West Industrial Park, Unit 2 ("Cuyamaca West 2"), also known as the Gillespie Field Business Park, in the late 1990's. Like the adjacent Cuyamaca West 1 and Gillespie Field Industrial Park, these leases of airport-owned land, which was released by the FAA for non-aeronautical use, provide revenue to support the County Airports System while providing economic benefits and jobs to the surrounding community. The FAA approval for non-aeronautical use is only possible for land that is not suitable for aeronautical use, for example, in this case, because of the topography and in cases when the land is not needed to meet aviation forecasts.

In a Development Agreement approved by the County Board of Supervisors on May 20, 1997, the parcels were separated into groups with the developer leasing each group according to an agreed upon schedule. The first group to be leased was Lot 15. Lot 15 was divided into 5 parcels, which were then leased under four separate leases. These leases were the first group of the Cuyamaca West 2 leases to be executed on September 15, 1997. Other groups of leases followed over the next three years. Those leases will also be adjusted at each one's 15-year point, so they will also be brought to your committee about every 6 months over the next three years.

Pacific Gillespie Partners Lot 15, LLC currently leases Lot 1 of Lot 15 (County Contract No. 71990R) and Lot 2 of Lot 15 (County Contract No. 71991R); Diversified Gillespie 15-3 leases Lot 3 of Lot 15 (County Contract No. 71992R); and Diversified Gillespie 2, Ltd. leases Lots 4 and 5 of Lot 15 (County Contract No. 71993R). These four 55-year leases commenced on September 15, 1997 and will terminate on September 14, 2052. Each of these leases provides the two 5-year renewal options. The leaseholds are improved with concrete tilt-up buildings that accommodate light industrial and office uses. Current tenants include Catholic Answers, Inc., Shamrock Racing, Fillmaster, Accurate Claims, Barbara C. Wilson, and Taylor Guitar.

As is standard for County leases, Cuyamaca West 2 leases, such as these, provide for periodic rental adjustments. In addition to five-year cost of living adjustments, the rental rate is renegotiated every fifteen years. The current renegotiated rental rate adjustment is due on September 15, 2012. County and Lessees agreed that the adjusted rental rate should be increased by 20% over the current rent, which is the maximum allowed under these leases for this adjustment. Except for minor administrative changes, like addresses updates, all other terms in the leases will remain unchanged.

The proposed amendments will adjust the rent as follows.

<b>Lot</b>	<b>Lessee</b>	<b>Contract No.</b>	<b>Current* Rent</b>	<b>Proposed* Rent</b>
Lot 1 of Lot 15	Pacific Gillespie Partners Lot 15, LLC	71990R	\$4,569	\$5,483
Lot 2 of Lot 15	Pacific Gillespie Partners Lot 15, LLC	71991R	\$3,821	\$4,585
Lot 3 of Lot 15	Diversified Gillespie 15-3, LLC	71992R	\$4,061	\$4,874
Lot 4 & 5 of Lot 15	Diversified Gillespie 2, Ltd.	71993R	\$7,508	\$9,010

\* Rounded to nearest dollar

### **RECOMMENDED MOTION**

*“Gillespie Field Development Council recommends the Board of Supervisors approve the Second Amendment to Industrial Ground Lease Agreement between the County of San Diego and Pacific Gillespie Partners Lot 15, LLC (County Contract No. 71990R), the Second Amendment to Industrial Ground Lease Agreement between the County of San Diego and Pacific Gillespie Partners Lot 15, LLC (County Contract No. 71991R), the First Amendment to Industrial Ground Lease Agreement between the County of San Diego and Diversified Gillespie 15-3, LLC (County Contract No. 71992R) and the First Amendment to Industrial Ground Lease Agreement between the County of San Diego and Diversified Gillespie 2, Ltd. (County Contract No. 71993R), as recommended by staff.”*